

TENNESSEE HOUSING DEVELOPMENT AGENCY
BOARD OF DIRECTORS
July 20, 2006

Pursuant to the call of the Chairman, the Tennessee Housing Development Agency Board of Directors met on Thursday, July 20, 2006, at 1:00 P.M. in the 12th Floor Training Room, Parkway Towers, Nashville, Tennessee.

The following members were present: Robyn Askew, Tim Bolding, Gerald Reed for Riley Darnell, Peter Abernathy for Dave Goetz, Winston Henning, Loretta Jercinovich, Gerald Konohia, Eddie Latimer (Chair), Ann Butterworth for John Morgan, Janice McNeely Alvin Nance, Tim Pettus, Brad Rainey, Sharon Reynolds, Janice Cunningham for Dale Sims, Carl Tindell and Jackie West.

Bob Cooper and Ralph Perrey were absent.

Chairman Latimer called the meeting to order and opened the floor for public comment. Alison Birge, Director of Pedcor Investments, addressed the Board. Ms. Birge referenced a letter dated July 11, 2006 in which she wrote to the Board requesting an additional \$2 million of tax exempt bond authority for the financing of Ashton Lake Apartments, a multifamily development in Memphis. Chairman Latimer asked if this request was discussed in the Policy & Programs Committee. Mr. Rainey reported that the Committee did discuss the request and a motion was made to grant the additional \$2 million in tax exempt bond authority, which failed due to the lack of a second. There was no further discussion or motion offered.

The first item on the agenda was approval of the May 18, 2006, meeting minutes. Chairman Latimer noted that one paragraph was repeated twice and should be taken out. Upon motion by Ms. Reynolds, seconded by Ms. Cunningham, the minutes were approved as amended.

Chairman Latimer asked Ted Fellman, Executive Director, to recognize staff. Mr. Fellman presented two services awards for 5 years of service. Susan Scott, Field Representative for the Madison Field Office and Lisa Shockley, Field Representative for the Erin Field Office. Mr. Fellman stated the employees were not able to attend; however, he wanted to recognize them to the Board.

Mr. Fellman acknowledged Lorrie Shearon, Assistant Executive Director for Policy Development & Research, and Mary McLennan, Chief of Planning, for an excellent job with the Strategic Planning Sessions. Next, Mr. Fellman recognized Pat Smith, Director of Public Affairs, for a great job with the new logo and beginning marketing efforts. Mr. Fellman then recognized Linda Foulks, Technology Projects Coordinator, for her work on THDA's Business Continuity Plan. Mr. Fellman also congratulated Chairman Latimer for his appointment to Fannie Mae's National Housing Advisory Council. Mr. Fellman then referenced an updated THDA organizational chart included in the blue folder and encouraged all members to look it over.

Mr. Fellman asked Ms. Shearon to present the summary of the Strategic Planning Sessions. Ms. Shearon handed out the Summary and stated that in May, five areas of focus for THDA were identified. Ms. Shearon summarized each of the areas and what is currently being done in each area. Mr. Fellman reported that staff members will be getting together in August to develop a draft plan that will be presented to the Board at the September meeting.

Chairman Latimer said the Monthly Report was the next item on the agenda. Mr. Fellman referenced the report provided in the Board packet and encouraged each member to look at the information included in the report. He reported that during June, the Single Family Division received \$45 million in loan applications, which indicates success in outreach initiatives.

Next on the agenda was the report of the Bond Finance Committee. Mr. Reed reported that the Bond Finance Committee met on July 13, 2006; however, not enough committee members were physically present to form a quorum, so some members participated via conference call. Mr. Reed said the first item was pricing of Issue 2006-2. The Committee approved a resolution for the pricing, the bond purchase agreement, the supplemental resolution, and the bond maturity report. Mr. Reed referenced a memo dated July 13, 2006, from Bob Detjen, THDA's Financial Advisor, regarding the sale of Issue 2006-2. Mr. Reed said Issue 2006-2 was a negotiated sale that was very successful with an interest cost of 5.1% which will allow THDA to maintain current rates of 5.8% for the Great Rate program and 6.8% for the Great Start program, respectively. Mr. Reed encouraged each member to read the memo from Mr. Detjen since members do have fiduciary responsibility for the sales of THDA bonds and other financial matters.

Next item was adoption of the Reimbursement Resolution. Mr. Reed stated that the Reimbursement Resolution authorizes use of internal funds as a bridge until the new funds from the closing of Issue 2006-2 are available. Upon motion by Mr. Reed, seconded by Ms. Butterworth, the Reimbursement Resolution was adopted.

Next item was trustee status. Mr. Reed reported that since the change of ownership between Wachovia and U.S. Bank, the transition is going very smoothly and staff foresees no problem in U.S. Bank serving as trustee. Lynn Miller, Deputy Executive Director & General Counsel, pointed out that U.S. Bank was approved as the trustee by both the Bond Finance Committee and the Board, subject to appropriate documentation, which had been submitted.

Ms. Miller referenced the Official Statement for Issue 2006-2 Bonds, which is available for review. She said each member has an obligation to be familiar with the information included in the Official Statement and encouraged each member to read through it.

Next on the agenda was the report of the Grants Committee. Ms. Askew referenced a memo addressed to the Committee from Coralee Holloway, Director of Community Programs, dated July 11, 2006. The memo stated that at the end of May 2006, staff became aware of an error made in the 2006 HOME Program allocations made under the Special Needs Matrix. The Advocates for the Challenged received 1/2 of the points for a grant that was actually going to serve 3 counties, which indicated they should have only received 1/3 of the points. Once the adjustment was made, Advocates for the Challenged position on the needs matrix would change such that the organization would not receive 2006 HOME funds. Ms. Askew said the Grants Committee recommended approval of the scoring adjustment and approval to use HOME administrative funds to fund further down the scoring matrix to include Advocates for the Challenged. Upon motion by Ms. Askew, seconded by Mr. Reed, the committee's recommendation passed.

Next item was funding for Special Programs. Ms. Askew stated there is presently \$600,000 in funds allocated for 2007 Special Programs. Ms. Askew reported that the Grants Committee recommended the following: increasing the Rural Repair program from \$350,000 to \$700,000, putting \$100,000 into the Ramp Program, and putting \$150,000 into the Homebuyer Education Payment program. Ms. Askew asked staff to keep the Committee informed on whether

the \$150,000 is adequate for the Homebuyer Education Payment Program and how many people are getting the education. She said THDA has been in partnership with United Cerebral Palsy for the Ramp Program, however, the agreement expired on June 30, 2006. Ms. Askew said staff would circulate an RFP to see if another non-profit could use these funds.

Next item was HOME contract extensions. Ms. Askew referenced a memo from Ms. Holloway, dated July 10, 2006 and said 7 entities, for various reasons, requested extensions of their HOME contract. The Committee's recommendation is to approve for 6 of the 7 entities. Upon motion by Ms. Askew, seconded by Mr. Reed, the committee's recommendation was approved.

Next item was a discussion on policies for homeownership activities under the HOME Program. Ms. Askew reported that THDA has an internal policy that requires identification and pre-qualification of a homebuyer before funds for construction can be drawn down. She said this policy has slowed home construction for some non-profits, particularly in urban areas, due to the areas in which the construction is occurring. Ms. Askew said after discussion, no changes were recommended. Ms. Miller clarified that this is for the HOME grant program and not the homeownership loan program funded with bond proceeds.

Next item was an update on DMRS. Ms. Askew reported that communities are very impressed with the work of Patricia Chatman, Deputy Executive Director, and other staff members. She said 7 units will be constructed under the current pilot program.

Next item dealt with the State appropriation for housing. Ms. Askew referred to Mr. Fellman for this discussion. Mr. Fellman stated that there was a general recognition in the legislature that funds should be allocated to housing, but the fiscal note for the HOUSE bill was large, and many entities were competing for limited funding in the State budget. Mr. Fellman reported that \$1 million was appropriated to THDA in the 2007 State budget, however, there was no legislative mandate on how to use the funds. Mr. Fellman said the Board has the opportunity to decide the best use of the funds. Mr. Rainey reported that in the Policy and Programs Committee, the focus was on preservation type loans. Chairman Latimer asked if the funds should be spent quickly or have the funds committed by the next session. Mr. Nance stated the money should be spent in a way to motivate legislation to continue funding housing. Mr. Fellman said staff would develop a couple of concrete proposals and return in September with opportunities for action.

Next on the agenda was the report of the Policy & Programs Committee. Mr. Rainey reported on recent changes to the Originating Agents Guide.

Next item was Employer Assisted Housing. Mr. Rainey reported that THDA is working with Kentucky Housing, West Virginia Housing, and Virginia Housing in an employer assisted housing initiative. Kentucky received a \$50,000 grant from Fannie Mae for a pilot in which employers assist with down payment assistance. The four states are working together to develop a program description as well as a memorandum of understanding.

Next item was the Low Income Housing Tax Credits (LIHTC) discussion. Mr. Rainey gave a brief description of the program. He reported that there have been a series of developer forums in 2006 to solicit ideas on program changes. Mr. Rainey stated that staff compiled and provided information from the developer forums and other comments to the Committee. The Committee discussed various points and gave guidance to staff for a draft of the 2007 qualified allocation plan, which will be posted to THDA's website to allow for additional comment. In

September, the Committee will review the draft 2007 qualified allocation plan, and make a recommendation to the Board.

Mr. Rainey said some of the items discussed included: determination of “incremental” developments when Hope VI funding is involved; changes in the definition of rehabilitation to include more activities in “major systems”; increasing the amount of credits available for projects located outside of qualified census tracts; and consideration of the per county caps.

Ms. Miller added that annual changes are discussed in response to comments and concerns, not because the current QAP lacks a rational basis. The idea is, as part of the strategic planning process, to reexamine the basis upon which the QAP rests and decide whether more comprehensive changes should be made for 2008 and beyond. She said this process will give all Board members the opportunity to take a fresh look at the QAP.

Next item on the agenda was Other Matters. Mr. Fellman said the dates for the 2nd annual Governor’s Housing Summit will be October 4th-5th. In the afternoon of October 4th, there will be opportunities for people to visit with THDA staff with a reception to follow. On October 5th, at the Nashville Convention Center, there will be a full day of educational opportunities and discussions. Mr. Fellman said THDA’s partners and constituents will be invited to attend. He encouraged all members to attend.

Next, Mr. Fellman stated that Don Alexander, Crossville Housing Authority, invited THDA, Fannie Mae, and certain not for profit organizations to join the Statewide Housing Coalition. Mr. Fellman said the group of participants now includes mortgage bankers, realtors, and tax credit developers. Mr. Fellman said the group will meet once a quarter. He said this will help to create one voice for affordable housing in the State.

Ms. Miller reported on the Annual Disclosures. She distributed the disclosures to all members and said the disclosure for this year is on the long form. She asked that all members go through the entire form and disclose all relationships and involvements with THDA. Ms. Miller asked for the disclosures to be returned as soon as possible.

Mr. Fellman informed members of the NCSHA Annual Conference & Tradeshow that will be held September 16th-19th, in San Francisco, CA. He encouraged any interested members to attend the event. Mr. Fellman asked interested members to let Crystal Canaday know as soon as possible if interested.

There was no further business to come before the Board and the meeting adjourned.

Respectfully submitted,

Ted R. Fellman
Executive Director

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